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August 11, 2021

Board of Governors of the Federal Reserve System
c/o Ann E. Misback, Secretary
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Docket No. R-1748, RIN 7100-AG15

Dear Board of Governors of the Federal Reserve System:

Thank you for the opportunity to comment on Debit Card Interchange Fees and Routing. Giant Eagle Inc. is one of the nation's largest regional food, fuel and pharmacy retailers with approximately \$10 billion in annual sales. The company operates more than 470 supermarket and convenience store locations throughout western Pennsylvania, Ohio, northern West Virginia, Maryland and Indiana.

I urge the Federal Reserve Board of Governors to take immediate action to enforce the routing competition provisions and reduce the regulated debit rate as required by law. ***Cost of card acceptance is one of Giant Eagle's largest business expenses.***

U.S. companies rely on debit network routing options in store to help contain costs. Competition between networks for both an issuing bank's and merchant's business benefits all stakeholders in the chain, most importantly the consumer. The Covid-19 pandemic placed strains on our economy that were previously unimaginable. Almost overnight, consumer needs, shopping habits and the way we pay for products and services shifted. ***Giant Eagle saw an almost 200% increase in online transactions compared with before the pre-pandemic trends.*** Consumers who traditionally shopped in-person and paid using a variety of tender forms suddenly moved to shopping online exclusively with debit and credit cards. This had the effect of increasing Giant Eagle's costs, as in-store *forms of tender are typically lower cost (cash, check, pin debit, card-present credit).*

In the request for comment, the Board correctly notes that Regulation II specifically "...prohibits an issuer or payment card network from directly or indirectly restricting the number of payment card networks on which an electronic debit transaction may be processed to fewer than two unaffiliated networks." However, currently only 6% of online debit transactions are being processed by single-message networks - Visa's and Mastercard's competitors. This is a clear indicator that merchants are routinely not able to access a second debit network when the purchase occurs online, and it is imperative for the Board to take immediate action to enforce the law.

The proposed clarification recognizes the innovation in the debit space since the initial rule was finalized almost a decade ago. Specifically, the growth in online sales and the investment by the

debit networks to enable PIN-less transactions are two examples. I strongly support the Board moving forward with enforcing the debit routing provisions to ensure that merchants' routing rights are enforced regardless of how or where the transaction occurs and is authenticated. Furthermore, the Board should act quickly to finalize the clarification, so it is in full effect before the 2021 holiday shopping season. Not only is the clarification necessary to enforce federal law, but it will also bring immediate relief to businesses committed to keeping prices low and services high for their customers.

Finally, U.S. merchants paid \$24.38 billion in debit interchange fees in 2019. The current regulated *ceiling* for covered issuers is 21 cents plus 5 basis points with an additional 1 cent for fraud adjustment. *There are other fees paid to issuers that are not subject to the governance of the Dodd Frank Act, as switch fees.* The rate has not been adjusted since it went into effect a decade ago, even though issuer costs have been reduced by half, and merchants are shouldering more of the fraud burden. The regulated rate should be reduced to make it both reasonable and proportional to issuer costs. *Over the last decade, merchants have paid for improved security through EMV, yet there has not been a reduction in the amount paid by merchants for the fraud adjustment.*

Thank you again for the opportunity to provide comments on the proposed clarifications, and I strongly encourage the Board to act quickly on both enforcing the routing law and reducing the regulated debit rate.

Sincerely,

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David Burnworth
Sr. Vice President & CAO